

THE LOOMING RETIREMENT WAVE, PART 2: SOME PRACTICAL SOLUTIONS

In my January column (“The Retirement Wave – Boom or Bust?”), I wrote about the upcoming retirement crisis. Although many public organizations haven’t felt the effects of this wave yet, the dramatic demographic shifts we’re facing are inevitable. As the “age bubble” moves through our workforce, government will not only face a worker shortage overall, but will also face a leadership crisis as many of our most experienced leaders retire. In too many organizations, there isn’t enough leadership bench strength. The result will be not only a worker shortage, but a leadership gap as well.

Public organizations have to find creative ways to adapt to these inescapable realities. The bottom line? Government organizations must put in place processes to develop the next generation of leaders. A few specific strategies:

Make workforce planning a priority. In my last column, I described the workforce planning (WFP) process. WFP is essential to ensure an organization has the right people in the right places with the right skills at the right times. The need for WFP (and succession planning, an important element of WFP) should be self-evident as a necessary business practice. Unfortunately, in too many organizations, there is more talk than action about WFP. However, as we lose talent and the available workforce shrinks, effective workforce planning becomes even more critical, to ensure knowledge transfer, eliminate competency gaps, and attract and retain new employees.

Some managers understand the need for planning, but feel hamstrung because they don’t know when specific employees will retire, even if the organization has historical data on retirement trends.

One way to solve this problem is simply to ask employees who are approaching retirement age when they plan to retire. Of course, this has to be done carefully, to avoid any hint of favoritism or even age discrimination. Managers can avoid these problems by:

- Asking all key employees about their retirement plans (i.e., don’t just ask poor performers);
- Emphasize that employee retirement projections are not binding;
- Explain that the question is being asked to help the organization transfer important knowledge and prepare for the future, not to hasten retirements;
- Use the information only to project and plan for retirements, not for more questionable purposes like deciding who should (or shouldn't) receive training or development opportunities;
- If employees are represented by labor unions, meet with the union leaders first to explain why the agency will be collecting this information.

In addition to collecting valuable planning information, these conversations can also help involve key employees who plan to retire in the process of transferring their knowledge and preparing their successors.

When one agency decided to ask their employees in key positions about retirement plans, a common response was “What took you so long to ask.”

Conduct succession planning. Another fallacy we often delude ourselves with in government is that we can’t conduct succession planning because of civil service or merit system restrictions. In other words, we can’t “pre-select” successors like private sector organizations can. While this is true, the fundamental flaw in this thinking is that succession planning has to be a “selection” process. It doesn’t. Instead, a succession planning process can be an inclusive developmental process that follows even the strictest merit or civil service laws.

Avoid the lure of early retirement plans. While allowing employees to retire early can save money in the short-term, the long-term cost can be high. Encouraging the most experienced and knowledgeable people to leave early can cripple an organization in the long run. We must resist the temptation to mortgage our future to save a few dollars now.

Get more creative with retirements. When experienced employees are preparing to retire, organizations must work with them to create smooth transitions. For example, phased retirements, where the person works part-time while transitioning to retirement, can facilitate knowledge transfer. So can bringing the retiree back on an intermittent or contract basis. Many retirees appreciate the opportunity to make a gradual transition to their new lifestyles.

Focus on key skill areas. Comprehensive workforce and succession planning can be a daunting and resource-intensive process. One short-term approach is to target key positions and skill areas. One organization that adopted this strategy analyzed risk by assessing 1) the likelihood that key employees would retire and 2) the risk of knowledge loss in each position. The resulting “risk index” allowed that organization to focus on the employees in highest-risk positions. For this agency, this was a very cost-effective, and very timely, approach to workforce planning.

Once these key positions were identified, the agency assessed the best ways to mitigate the risk of losing the critical knowledge these people have. Some approaches:

- *Write it down.* Developing written procedures, flowcharts, manuals, etc. can be invaluable aids to employees who take over for retirees. This sounds simple but, too often, the keys to success in a job are in the mind of the current employee, and are not documented.
- *Educate and train replacements.* Again, this sound obvious. But too many organizations, particularly in government, neglect to formally prepare successors until it’s too late. And education and training shouldn’t be limited to the technical areas. Other competencies – so-called “soft skills” such as leadership, consensus-building, creativity, etc. – are just as important, and may be even more important for higher-level leadership positions.
- *Re-engineer the job.* While losing a key employee can be a tough challenge, it can also be an opportunity – to take a close look at the job and decide if re-engineering can help make the position, and the organization, more effective and efficient. This is especially true if the person who is leaving has been in the job for a long time. Among other things, re-

engineering is an opportunity to change a job to reduce the risk in the future of losing a key employee.

- *Consider alternatives.* Maybe it's time to consider contracting or outsourcing work. If done carefully and properly, contracting can reduce both costs and risk.

Of course, there are many strategies to deal with the looming workforce shortage -- there is no one-size-fits-all solution. A carefully-developed strategy will include multiple approaches that fit the specific characteristics and needs of the organization. I've simply tried to identify a few tactics. Long-term, as I argued in my last column, the answer lies in comprehensive strategic workforce planning, built around carefully-developed employee competencies. Workforce planning – done right – should put the organization in the best possible position to succeed. In that way, we can do more than just react to the future; we can shape it.

In upcoming columns, I will report on the results of an exciting research project that is identifying effective leadership development approaches in public sector organizations, at all levels of government.

(This column was adapted from an article that originally appeared in the Australian publication "Human Capital").